



U.S. Department of Justice
Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

JUL 13 1999

The Honorable John Dingell
Ranking Minority Member, Committee
on Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Dingell:

I am writing on behalf of the Department of Justice in response to your letter addressed jointly to Janet Reno, Attorney General of the U.S. Department of Justice (DOJ); Arthur Levitt, Chairman Securities and Exchange Commission (SEC); and Frank G. Zarb, Jr., Chairman, Ceo and President of the National Association of Securities Dealers (NASD) requesting investigations into allegations of illegal trading practices at the American Stock Exchange ("Amex"). This response describes enforcement activities currently underway at the DOJ that are relevant to your request.

The Department's Antitrust Division is conducting a formal investigation under the federal antitrust laws in response to various allegations of illegal practices at the American Stock Exchange. I am unable to provide any further information concerning this investigation, as it is in active status and therefore subject to the Department's policy on the disclosure of confidential information. However, you may be assured that the Department is conducting a thorough investigation of the allegations and will consider all appropriate enforcement actions, as warranted by our findings.

Thank you for your interest in this matter. The Department will make every effort to keep you apprised of developments, as permitted by law and relevant DOJ policy constraints.

Sincerely,

A handwritten signature in dark ink, reading "Jon P. Jennings", is positioned above the typed name.

Jon P. Jennings
Acting Assistant Attorney General



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

May 14, 1999

The Honorable John D. Dingell
Ranking Member
Committee on Commerce
U.S. House of Representatives
Room 2125
Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Congressman Dingell:

Your April 27, 1999, letter raises questions concerning recent allegations involving the American Stock Exchange and conduct by its members. I wholeheartedly share your belief that our markets rely on the confidence and trust of investors. As you know, all self-regulatory organizations are responsible for policing their members in accordance with their rules and the federal securities laws and are overseen by the Commission. The Commission takes its oversight role seriously and has always been -- and continues to be -- prepared to take appropriate action to ensure that SROs carry out their statutory responsibilities. As you point out, we recently brought an enforcement action against the NASD and the Nasdaq Stock Market.

As part of its SRO oversight responsibilities, the Commission is currently conducting inspections of the American Stock Exchange's surveillance, disciplinary and enforcement programs. I understand that those inspections have covered or will cover some of the areas that are the subject of the allegations in the Business Week story. I have asked my staff to communicate with your staff regarding those inspections at the conclusion of this review.

Thank you for your continued leadership in ensuring the integrity of our securities markets. Please let me know if you have additional questions on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Levitt", written over a series of horizontal lines.

Arthur Levitt

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**U.S. House of Representatives
Committee on Commerce**

**Room 2125, Rayburn House Office Building
Washington, DC 20515-6115**

April 27, 1999

JAMES E. DERDERIAN, CHIEF OF STAFF

The Honorable Janet Reno
Attorney General
Department of Justice
Constitution Ave. and 10th Street, N.W.
Washington, D.C. 20530

The Honorable Arthur Levitt, Jr.
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Mr. Frank G. Zarb
Chairman, CEO and President
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006

Dear Attorney General Reno and Chairmen Levitt and Zarb:

The April 12, 1999 issue of Barron's concluded "Off The Curb," a laudatory piece on the American Stock Exchange, with this high praise: "Before he leaves June 1 to return to the Boston area as president of Thermo-Electron, Dick Syron could be forgiven if he took a victory lap around the old Curb floor." However, the April 26, 1999 Business Week cover story, "Scandal on Wall Street," (enclosure) reporting on allegations of price-fixing, illegal trading, lax enforcement, and other problems run amok on the American Stock Exchange for years, suggests that praise may be premature.

I am writing to request a full report on this seemingly sorry episode, including, when complete, the outcome of your investigations, and, in the case of the SEC and of the NASD, the Amex's new parent, what steps you have taken and intend to take to ensure that this does not happen again. I also want to know why the SEC apparently has not met fully its statutory

The Honorable Janet Reno
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Mr. Frank G. Zarb
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mandate under the Exchange Act for overseeing these matters and stepping in when the exchanges do not carry out their responsibilities.

Markets run on confidence, and repeated episodes of this nature -- the 1996 enforcement actions against 24 Nasdaq traders and the NASD itself, and this year's indictment of 10 NYSE floor brokers, followed by the sweeping allegations against the American Stock Exchange -- seriously erode that confidence. The Commission's August 8, 1996 Section 21(a) report regarding the NASD and the Nasdaq Stock Market should have been a wake up call for all of the self-regulatory organizations. Apparently, it was not.

Thank you for your cooperation and attention to this request. I look forward to reviewing your reports.

Sincerely,



JOHN D. DINGELL
RANKING MEMBER

Enclosure

cc: The Honorable Tom Bliley, Chairman
Committee on Commerce

The Honorable Michael Oxley, Chairman
Subcommittee on Finance and Hazardous Materials

The Honorable Edolphus Towns, Ranking Member
Subcommittee on Finance and Hazardous Materials